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FILED IN UNITED STATES DISTRICT
 COURT, DISTRICT OF UTAH
 AUG 22 2017
 BY D. MARK JONES, CLERK
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IN THE UNITED STATES DISTRICT COURT
 DISTRICT OF UTAH, CENTRAL DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

HAOZHAO SONG,

Defendant.

COMPLAINT

VIO.: 18 U.S.C. § 1341 (Mail Fraud)

Magistrate Judge Paul M. Warner

Before the Honorable Paul M. Warner, United States Magistrate Court Judge for the
 District of Utah, appeared the undersigned, who on oath deposes and says:

COUNT I

18 U.S.C. § 1341
 Mail Fraud

On March 20, 2017 in the Central Division of the District of Utah,

HAOZHAO SONG,

the defendant herein, did participate in a scheme and artifice designed to fraudulently obtain new iPhones from Apple, Inc. (Apple) by submitting to Apple claims of damaged iPhones under false identities, with false warranty information, and iPhones that had been stripped of their legitimate internal components and replaced with counterfeit electronic components, for the purpose of

obtaining new and legitimate iPhones which were ultimately shipped overseas for sale on the black market. Beginning from on or about April 14, 2016, through on or about the month of July, 2017, in the Central Division of the District of Utah and elsewhere, the Defendant, HAOZHAO SONG with the intent to defraud, devised, willfully participated in, and with knowledge of its fraudulent nature of the above-described scheme and artifice to defraud and obtained property by materially false and fraudulent pretenses, representations, and promises. On or about March 20, 2017 and again on or about March 22, 2017 in the Central Division of the District of Utah for the purpose of executing or attempting to execute the above-described scheme and artifice to defraud and deprive, Defendant submitted an iPhone to Apple under false pretenses, and knowingly took and received from an authorized depository for mail the following items: two packages, each carrying a fraudulently obtained iPhone from APPLE. All in violation of 18 U.S.C. § 1341.

AFFIDAVIT IN SUPPORT OF COMPLAINT AND ARREST WARRANT

1. I, Daniel E. Ashment, being duly sworn, hereby depose and say:
2. I am a Special Agent (SA) with Homeland Security Investigations (HSI) and have been so employed since 2009. I am a law enforcement officer of the United States within the meaning of Title 18, United States Code, Section 2510(7) and I am authorized by law to conduct investigations and to make arrests for felony offenses. I am currently assigned to the Assistant Special Agent in Charge, Salt Lake City, Utah. During my tenure as a federal law enforcement officer, I have investigated and/or participated in investigations of conspiracy, money laundering, narcotics trafficking, commercial fraud, smuggling and theft. I have also acquired knowledge and information about commercial fraud and the various means and methods by which it is furthered including through the use of computers, smart phones, digital media and the Internet

from formal and informal training, other law enforcement officers and investigators, informants, individuals I have arrested and/or interviewed, and from my participation in other investigations.

3. I have been investigating the facts set forth herein with Jared Dimick, a Postal Inspector with the U.S. Postal Inspection Service assigned to the Salt Lake City Domicile of the Phoenix Division. He has been employed as a Postal Inspector since May 2015 and serves as a Mail Fraud Inspector for the Salt Lake City office of the U.S. Postal Inspection Service. In this capacity he is also assigned to the Utah Identity Theft Task Force (ITTF). This assignment involves, among other things, investigation into the theft of U.S. Mail, mail fraud, identity theft, forgery, bank fraud, and credit card fraud.

4. Based upon my training and experience, as well as information provided by other law enforcement officers about their experiences and results of their investigations, I have become familiar with the methods utilized in fraudulent schemes and artifices that use the postal service as a means of furthering the scheme's purpose. The information contained in this affidavit is based on my training, experience and participation in counterfeit investigations, my personal knowledge and observations during the course of this investigation, and information provided to me by other sources as noted herein.

Background of Investigation

5. On or about February 28, 2017, Inspector Jared Dimick received information from an employee at the UPS Store located at 32 West 200 South, Salt Lake City, UT 84101 that PO Box #614 leased to HAOZHAO SONG, was submitting large quantities of iPhones for repair through the UPS Store's Apple Repair Program. The UPS employee identified SONG's activity as

suspect because of a previous investigation conducted by Inspector Dimick, which involved virtually the exact same scheme.

6. The scheme involves individuals based in the United States, primarily Chinese nationals in the United States on either student or travel visas, importing counterfeit iPhones from a distributor in China. During his investigation, Inspector Dimick learned that SONG is a Chinese national living in the United States on a student visa. Each of the counterfeit iPhones are labeled with an International Mobile Equipment Identity (IMEI) number that in fact belongs to a genuine iPhone still under Apple Inc. (Apple) warranty. The IMEI numbers are believed to be stolen from an unknown database.

7. Once the repair order through Apple's online or store replacement program is completed, the conspirators then ship the counterfeit iPhones to Apple via its warranty replacement service, intending to cause Apple to believe the counterfeit iPhone is the genuine iPhone assigned to the IMEI number, and that Apple will replace the counterfeit iPhone with a genuine, functioning iPhone. Often, that is precisely what happens.

8. The conspirators provide Apple a return address – almost always a P. O. Box – where the replacement iPhones are received and eventually shipped back to China and likely sold.

Through my investigation, I have found that HAOZHAO SONG has received international parcels from Hong Kong, listing “repair phone” as the contents on the manifests. Through extended border searches by Homeland Security Investigations (HSI) it was found that these same iPhones discovered during border searches were being submitted to Apple for repair.

9. On August 21, 2017, Inspector Dimick requested information on one of the iPhones found in the parcel addressed to SONG from Zhongmei Technologies, a known company name

used by counterfeiters in Hong Kong. Apple reported that the phone had been submitted for repair, and the return address was to a location in Pennsylvania. The address returns to a P.O. Box at a UPS Store in Pittsburgh. Apple stated that same address has received approximately 13 iPhones in the past few months.

10. The parcels containing counterfeit iPhones from Hong Kong all have identical features, which include: Zhongmei Technologies listed on the manifests as the shipper, a cardboard box covered in yellow tape, a Styrofoam container inside the cardboard with yellow tape sealing the lid, and iPhones inside the Styrofoam each of which is packaged in bubble wrap sleeves with stickers numbering the iPhones. Most or all iPhones inspected appeared to have unblemished screens, and minimal to no scratching or wear on the metal casing of the phone.

11. Inspector Dimick was called by UPS Store employees after SONG had come in to submit iPhones for repair, and documented the repair order forms and the iPhones. Inspector Dimick alerted Apple regarding some of the iPhones SONG had submitted to UPS Stores around Salt Lake City, which Apple flagged and is in the process of completing a detailed inspection and analysis of repair submissions. Apple stated that several of the iPhone repairs submitted by SONG have resulted in rejection by Apple Repair Specialists, with the reason being "tampering." Apple stated that "tampering" means an iPhone has been found to contain non-genuine parts, or the phone has been altered in some way which voids the warranty. I have found through similar cases, that the "tampering" is due to non-genuine Apple parts being found inside the phone.

12. Throughout the investigation, UPS Store employees aware of the iPhone fraud voluntarily informed Inspector Dimick and myself of P.O. Boxes associated with HAOZHAO SONG, and when SONG would come in to the store to submit iPhones for repair/replacement.

UPS Store employees reported that SONG would bring in his girlfriend Chenyue Jiang to lease a P.O. Box, which is an authorized United States Postal Service mail receptacle, to be used to receive repaired/replaced iPhones from Apple, as well as receive inbound parcels from Hong Kong containing the counterfeit iPhones. UPS employees also identified several P.O. Boxes that SONG opened under his name for the purpose of receiving parcels from Apple and from unidentified co-conspirators in Hong Kong.

13. Ten addresses have been identified as being utilized by SONG in the scheme; some of these addresses were in the name of his girlfriend Chenyue Jiang. Investigators have discovered SONG was complicit in perpetuating the aforementioned fraud of approximately 643 iPhones thus far in the investigation. With each phone conservatively priced at approximately \$768.67 in China, the total discovered fraud committed by SONG amounts to \$494,254.81 which includes both actual and intended losses. The total does not reflect the costs to Apple for the shipping of each phone, and the cost for repair services.

14. On March 20, 2017, Inspector Dimick was notified by employees of the UPS Store located at 1905 West 4700 South, Salt Lake City, UT 84129 that HAOZHAO SONG had recently dropped off iPhones for repair through UPS Store's Apple Repair Program. The names used for the orders were: Chenyue Jiang, Kevin Chen and Haozhao Song. The addresses for the repairs to be returned from Apple are all associated with SONG, including P.O. Boxes and his own apartment listed on his driver's license. On one of the repair orders, the listed return address on the iPhone repair order was "50?S?500?W?Apt?529", At various times, SONG submitted phones for repair/replacement with return addresses which had a similar format. Apple stated that individuals committing fraud often list their address in this type of format in

order to disguise the actual address. The question marks make the address unreadable to automated systems, but allow the same address to be utilized in multiple fraudulent shipments. United States Postal Service letter carriers are able to read the address and deliver the parcels, but computers and automated systems are unable to catch the discrepancies. Apple also stated that they've been informed that among individuals committing fraud, there is a belief that they (Apple) will "blacklist" addresses after a certain number of repair requests have been made, which is why they try to conceal their address.

15. On March 22, 2017, employees at the UPS Store at 358 South 700 East B, Salt Lake City, UT 84102 called and stated an iPhone parcel had come in to P.O. Box 337 belonging to Haozhao Song. The name on the parcel was "Felix Able." Investigators conducted a search for this name through the Utah Driver's License database, and discovered this person does not exist. Apple later revealed through a subpoena, that Song had used the name "Felix Abel" as well as several other names including "ave D," "ugene E," "rejhye bd," "rmand A," "ranklin F," "van E," "Bunsen Rashid," "Fugger Thenard," and many others. The various names are believed to be used in order to avoid detection from Apple.

16. On August 21, 2017, I received notice from a database with Customs and Border Protection that SONG was scheduled for a one-way flight on August 22, 2017, to China from the Los Angeles Airport. SONG had been residing in the United States on an F1 Student Visa, and had recently graduated from the University of Utah. Song's Visa is valid for education purposes only, and upon graduation, there is a high likelihood that Song is leaving the country permanently. Based on the low probability of success of extraditing SONG from China, USPIS and HSI are seeking to arrest SONG before he leaves the country and does not return.

Based on the above information, I have probable cause to believe HAOZHAO SONG has committed a violation of 18 U.S.C. § 1341 (Mail Fraud).


Affiant,
U.S. Homeland Security Investigations Special Agent DANIEL E. ASHMENT

SUBSCRIBED AND SWORN to before me this 22nd day of August, 2017.


Paul M. Warner
United States District Court Chief Magistrate Judge